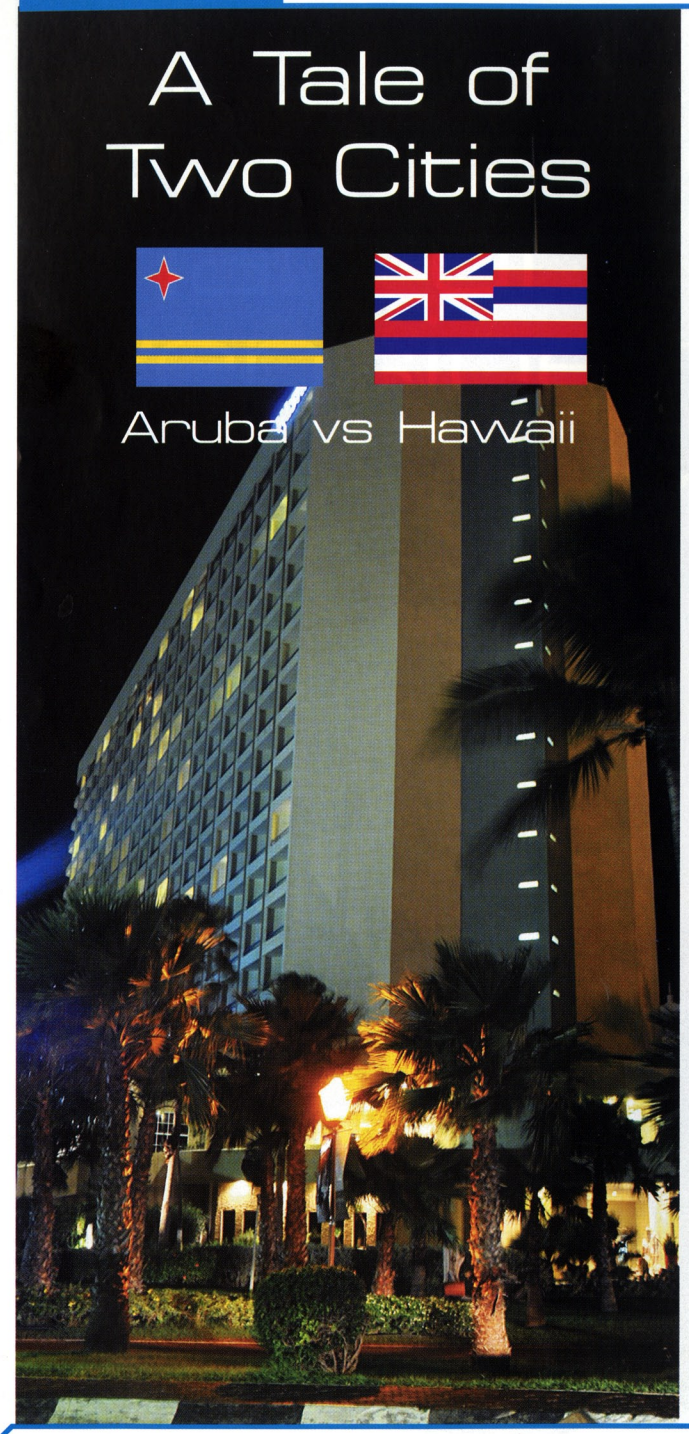
A Tale of Two Cities

Aruba vs Hawaii



Sharing Time on Island Time

It is a truism that timeshare has become an integral part of the global tourism industry. After almost three decades of bickering and building, vacation ownership has become a buoyant part of the tourism economy in the Caribbean. Despite financial crisis and economic crisis, and with bold investment forecasts of well over $100 billion dollars in the next three years, it seems that this bright and breezy segment of the tourism economy doesn't have any plans of letting go any time soon.

There are, however, initial signs that timeshare destinations may be busting at the seams. After thirty years of tried and trued strategies, a "back-to-basics" makeover of some sorts seems to be required, especially as island destinations grapple with rising costs, congestion and crowding effects, not to mention the chaos and confusion of crafty architectures and cranky infrastructures.

And guess what: consumers and communities are in agreement and are speaking up.

Destination Perspectives – The Community

Recent studies in Hawaii - one of the first timeshare island entrepreneurs in the 1970s - indicate that the community and local residents are concerned about the over-development of vacation rentals. They complain that some of the visitors renting homes and rooms in their residential neighborhoods create noise, drive up home and rental prices, and destroy the sense of community.

Studies indicate that 78% of residents think that their economy is too dependent on tourism, and 76% agree that even if more visitors come, they don't want to see more hotels, with 62% indicating that the island is being run for tourists at the expense of locals. Finally, 82% support the use of tax revenue generated from tourism to preserve the environment and to make or maintain public improvements in resort areas.

Community concerns have led to a flurry of proposals by lawmakers on Oahu, Maui and Kauai. The legislators are trying to address what they say has been an uncontrolled proliferation or mushrooming of vacation home rentals, fractional and other condominium-like developments. Beyond legislations, the economy also seems to be unwinding as saturation levels are nearing, after the construction cycle peaked in 2005. Island real-estate prices have since then also dropped feverishly, and the trend is only strengthening towards 2009. With no relief on the job market, increasing worker scarcity at all levels (unemployment remains below 2% average), and inflation climbing well over 5% average, economic woes are not weakening.

Vacation Ownership Voices

From a vacation ownership perspective, and closer to home in the Caribbean, a recent study in Aruba indicates that timeshare owners are also speaking out on quality and value. Beyond similarities in island economies, Aruba is akin to Hawaii in terms of tourism-dependency and timeshare-intensity. In fact, both islands were part of a 'band of brothers' of early timeshare movers and shakers back in the 1970s.

Timeshare owners in Aruba - with over 90% originating from the US - are characterized by an uncanny loyalty towards the destination and the resort. Over 75% point out that they are not interested in exchanging or going to another destination or buying timeshare from another resort, with 80% indicating that they are satisfied with their purchase. Yet, in the same breath, timeshare owners voice out their concerns about the future and value of vacation ownership.

Topping the charts of concerns are traffic congestions and the lack of a good transportation infrastructure, which is mentioned by more than 80% of timeshare owners. Beyond casinos and gambling, the lack of high-quality entertainment and attractions is also referenced by almost 75%. Likewise, except for the basic tours, activities, and shopping facilities, the island doesn't seem to be offering any added value, as more than 70% rate these destination amenities as average, and are subsequently spending less; visitor expenditures have indeed dropped over 20% in the past two years. With sales and consumer spending down in the last quarter, the future doesn't bode well for tourism-intensive island-economies.

In terms of environmental quality, less than 20% of timeshare owners indicate that they are impressed with the natural beauty and healthy environment of the island. With inflation and prices rising, and destination aesthetics and quality in decline, it should be no surprise that timeshare owners are concerned about the value and future of the(ir) timeshare; less than 20% indicate that they perceive that they are getting value for money.

Considering the current economic crisis and the plunge in consumer confidence, this lack of perceived value for money should certainly raise a red flag. In terms demographics, business intelligence risk analysis indicates that approximately 25% of the industry is at risk in terms of income (< $75k) and age (baby boomers), accounting for well over $150 million in commercial value and destination-wide economic impact.

Tales and Tipping Points

Similar to Hawaii, Aruba has experienced a stout construction boom over the past decade surpassing absorptive capacity, and is faced with worker scarcity and inflationary pressures. Yet, unlike Hawaii that is taking an intermezzo, and focusing on diversity and unique attractions to sustain value in an increasingly competitive environment, the island of Aruba is gearing up for another wave of room expansion and volume growth, spanning well over one thousand units, covering hotels, timeshare, condominiums, and other residential areas and villas.

It seems that timeshare-intense island-economies are experiencing similar concerns as they near the tipping point in their destination life-cycle. Yet, the reactions, responsibilities and responsiveness that this tipping point evokes within island economies are worlds apart. This tipping point is often characterized by a surging single-sided supply, despite a stable or declining demand, and in spite of resource-sensitivities of island and coastal communities. A tipping point that is defined by consumer and community concerns about value and sustainability, and what the future holds for the next generation. Timeshare islands may well be a tale of two cities when it comes down to strategy and tactics.

Dr. Ryan R. Peterson is an Aruban native of San Nicolas and father of two sons. He holds different academic degrees and doctorates in the areas of business, technology, governance and economics. Previous to his current position as Dean of Hospitality & Tourism Management Studies at the University of Aruba, he was Professor of Strategic Management, and Director of Research & Development at the Institute for Technology & Innovation in Europe. His portfolio spans over fifteen years as international business researcher and strategic advisor for different multinationals and tourism-related destinations, and includes over fifty publications in international academic and business press. Dr. Peterson is a 'specialized generalist' in the area of designing and developing high-performance systems at both micro and macro levels. His current work focuses on strategic governance and sustainable competitiveness of enterprises and destinations in dynamic knowledge economies.

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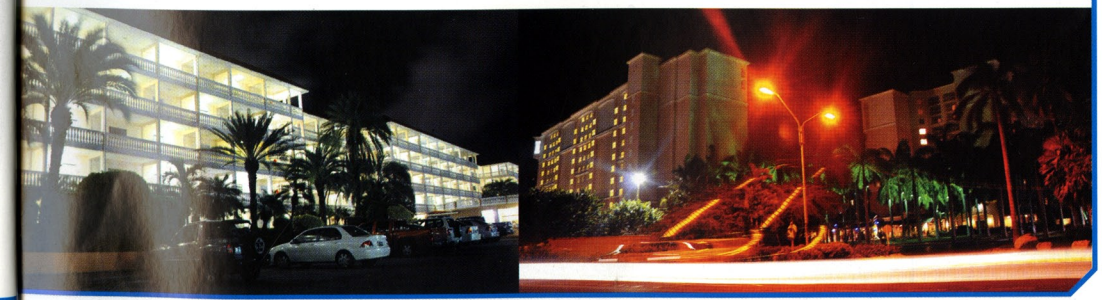

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